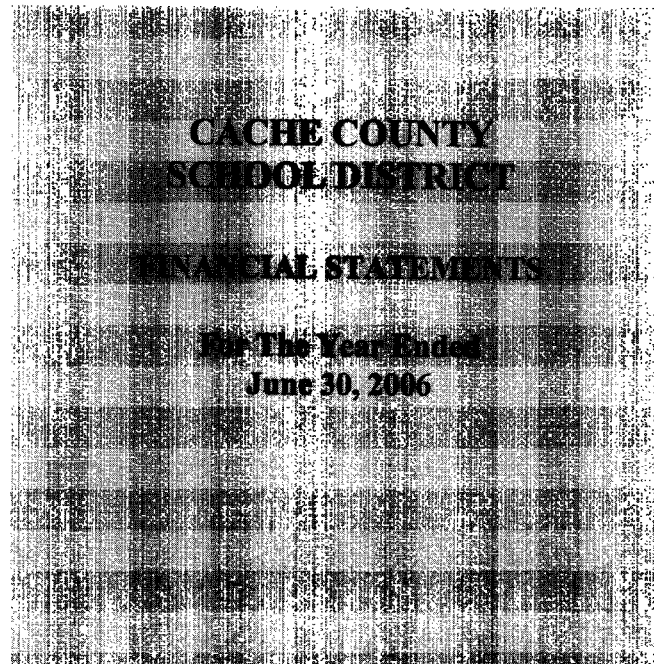




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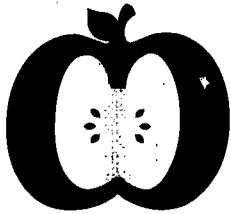
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INTRODUCTORY SECTION



Cache County School District

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To President Saunders, Members of the Board of Education, and
the Citizens of the Cache County School District:

State law requires that school districts publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America. Pursuant to that requirement, we hereby issue the annual financial report of the Cache County School District (District) for the fiscal year ended June 30, 2006.

Designed to meet the needs of a broad spectrum of readers of financial statements, this report is divided into two major sections:

- Introductory section – Introduces the reader to the report and includes this transmittal letter, the organizational chart of the District, the list of elected and appointed officials, and a map of precincts of the Board of Education.
- Financial section – Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.

Internal controls. This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Independent audits. Peterson Allred Jackson CPA's, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining on a test basis evidence supporting the amounts and disclosures in the financial

statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

Management's discussion and analysis. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

District profile. The District was created by action of the Utah State Legislature in 1908. The District is a legally separate entity enjoying all rights and privileges accorded political subdivisions in the State of Utah. The District is fiscally independent. Policymaking and legislative authority are vested in the Board of Education consisting of seven members. The Board of Education is responsible, among other things, for developing policy, adopting the budget, levying taxes, incurring bonded debt, supervising committees, and hiring both the superintendent and business administrator. The superintendent and business administrator are responsible for carrying out the policies of the Board of Education and overseeing the day-to-day operations of the District. The Board of Education is elected on a non-partisan basis. Board members serve four-year staggered terms with no more than four board members elected every two years.

The major purpose of the District is to provide public education for those who reside within the boundaries of the District located in Cache County, Utah. The District's boundaries include all of Cache County, excluding Logan City. To accomplish this purpose, as of Fall 2006, the District services two traditional high schools, one alternative high school, two 8-9th Grade Centers, four middle schools, and thirteen elementary schools.

The District serves approximately 13,600 students.

Budgetary control. The District adopts an annual budget for its funds. This budget acts as the financial operating plan for the entire year. Revisions may be implemented during the year authorizing a larger appropriation of available resources through a public hearing and approval from the Board.

All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.

If the District does not increase the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board. If the District exceeds the certified tax rate the budget is adopted in August after obtaining taxpayer input when data is available to set the rates.

The level by which expenditures may not exceed appropriations has been interpreted by the State Superintendent of Public Instruction to be the total budgeted expenditures of a given fund.

The District's 2006 balances are sufficient to meet the fiscal 2007 budget as presented to the public in June of 2006.

Economic condition and outlook. The nation's and Utah's economic recovery has increased significantly in recent months. The Utah State Legislature continues to hold public education as a high priority in budget prioritization. The legislature appropriated an additional \$263,720,948 for public education in the 2006 budget. The majority of the funds (\$183,156,391 or 70%) were directed to cover a 6.0% inflationary adjustment in all programs categorized as Basic School Programs.

The Cache County Board of Education is very involved in the district budget building process. Efforts coordinated between the Board of Education, district administration and all employee groups produced a mutually agreeable solution to limited district financial resources and requests for increased funding for employee salaries and benefits.

Economic forecasts predict a slow increase in our nation's economic condition. Sustained support will be required to work through this slow recovery period as demands are continually voiced for increases in funding.

Student growth. The state fiscal 2007 school finance program is designed to provide every Utah school district with a basic operation program of \$2,417 per weighted public unit (WPU) (compared to \$2,280 per WPU in fiscal 2006) plus added amounts for other special programs and grants.

Based upon the 2003 Baseline Projections prepared by the Governor's Office of Planning and Budget, total school age population (ages 5-17) in the state of Utah is predicted to increase significantly during the following sixteen years. The student population in Cache County is predicted to increase at an even greater rate. The following chart summarizes their data:

<u>Year</u>	<u>School Age Population</u>	<u>Increase From 2004</u>	<u>% Increase From 2004</u>	<u>% Average Annual Increase</u>
State of Utah				
2004	508,160	0	0.00%	0.00%
2008	565,382	57,222	11.26%	2.25%
2013	659,720	151,560	29.83%	3.34%
2018	740,021	231,861	45.63%	2.43%
Cache County				
2004	19,782	0	0.00%	0.00%
2008	23,756	3,974	20.09%	4.02%
2013	30,665	10,883	55.01%	5.82%
2018	35,344	15,562	78.67%	3.05%

Enrollment is predicted to peak in the year 2019 after which, total enrollment should begin to decline during the next eleven years at a rate of approximately 1.5% per year.

Three years ago, the Cache County Board of Education created a Building Taskforce to study the enrollment prediction, anticipated building needs and possible change in grade configuration, if needed. Based upon the findings and recommendations presented by the taskforce, the Board held a special bond election on May 4, 2004 to request voter approval for \$60,000,000 of general obligation bond authorization. The ballot question passed with 64.5% of the voters voting in favor of the issuance of bonds.

The determination to request \$60,000,000 of voter authorization was based upon the desire to provide for the growing school housing needs of the predicted student enrollment increase. After meeting some of the immediate building needs, the balance of the funds will not be issued until the growth in student enrollment actually occurs. The high voter approval of the voter authorization is a strong vote of confidence in the direction and leadership provided by the Board of Education.

Audit Committee. The District's independent auditor uses the District's audit committee to communicate certain matters to upper management and the Board of Education. The audit committee includes two members of the Board of Education, the District Superintendent, and the

Business Administrator. The two members of the Board of Education report audit findings and other financial considerations to the Board. The Board of Education is responsible for the oversight of the financial reporting process.

Cash management and investments. The District maintains a cash and investment pool that is available for all funds. This pool has deposits, repurchase agreements, and other investments with varying maturity dates. Earnings on investments for fiscal 2006 totaled \$1,135,070.

The State of Utah Money Management Act with the State Money Management Council governs the District's investment policies and provides a measure of depository protection. The Council issues a list of qualified depositories to public treasurers quarterly and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the Council. State law and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately.

The District considers the actions of the Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Risk management. The District is insured for worker's compensation by Workers Compensation Fund. Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District participates in the State Risk Management system for property and liability insurance. This is a pooled arrangement where the participating entities pay annual premiums, which are designed to pay claims and build sufficient reserves so that the system will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base.

Acknowledgments. The efficient and dedicated staff of the business department accomplished the preparation of this report on a timely basis. We would like to express appreciation to all members of the department who assisted in the presentation of this report. We would also like to thank the members of the Board of Education for their interest and support in conducting the financial affairs of the District in a responsible and progressive manner.

Respectfully submitted,

Steven C. Norton, Ed.D.
Superintendent of Schools

Dale F. Hansen
Business Administrator

**Cache County School District
List of Elected and Appointed Officials
June 30, 2006**

Elected Officials

<u>Members of the Board of Education</u>	<u>Present Term Began</u>	<u>Present Term Expires</u>	<u>Initial Appointment</u>
Allyson D. Saunders President of the Board Precinct III – Nibley, Providence	January 3, 2005	January 5, 2009	August 21, 2003
Tamara L. Grange Vice President of the Board Precinct VI – Smithfield 1,3,4 & 5, Amalga	January 3, 2005	January 5, 2009	January 6, 1997
Anthony J. Hall Precinct VII – Clarkston, Cornish, Cove, Lewiston, Newton, Trenton, Richmond	January 6, 2004	January 1, 2007	July 20, 2000
Jonathan Jenkins Precinct IV – River Heights, North Logan 1, 2 & 4	January 3, 2005	January 1, 2007	January 3, 2005
Brian T. Leishman Precinct I – College/Young Wards, Mendon, Wellsville	January 3, 2005	January 5, 2009	January 1, 2001
Susan A. Madsen Precinct V – Hyde Park, North Logan 3, Benson, Smithfield 2	January 6, 2004	January 1, 2007	January 6, 2004
Guy Ray Pulsipher Precinct II – Hyrum 1,2,4, &5, Paradise, Millville	January 3, 2005	January 1, 2007	January 3, 2005

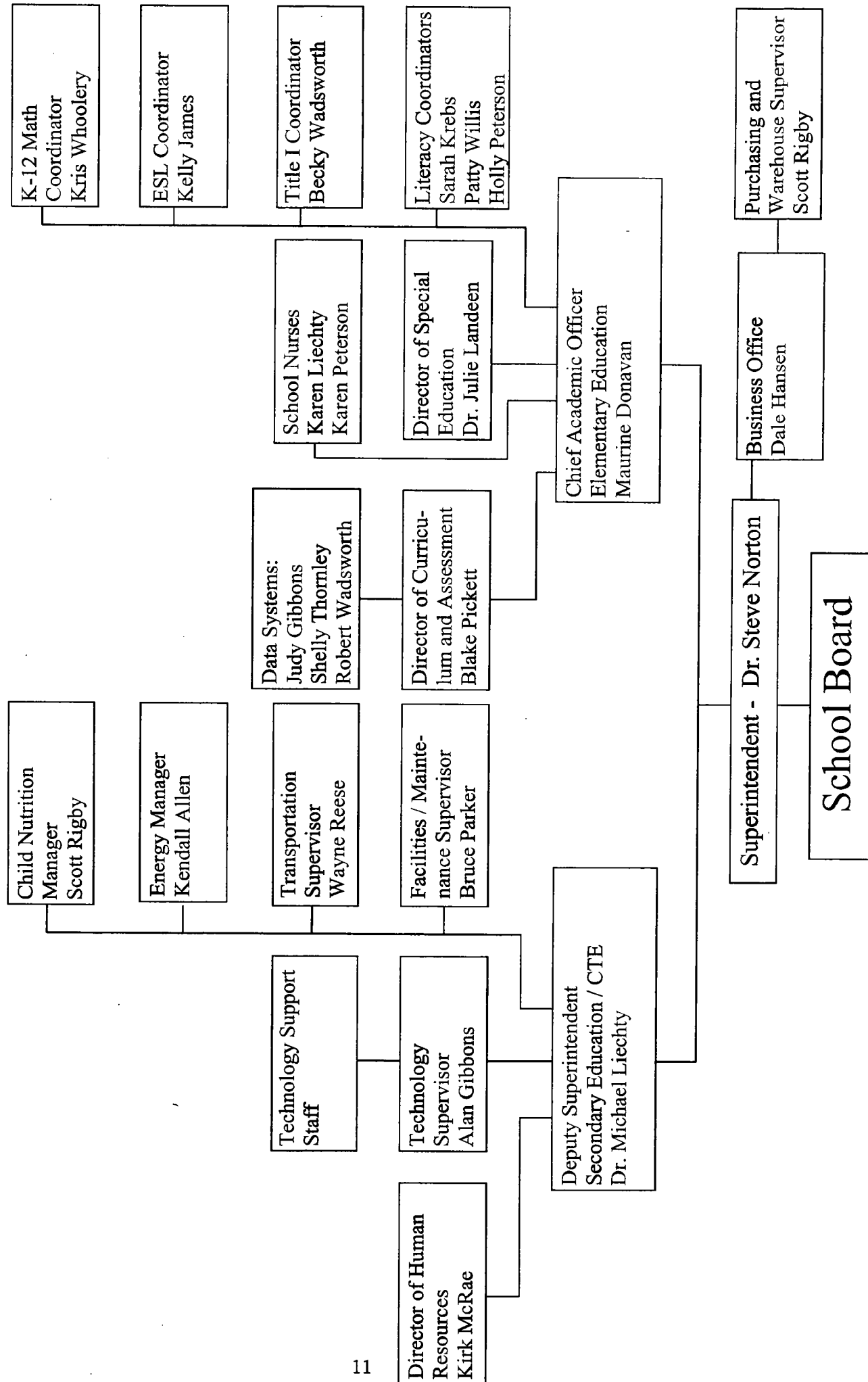
The term of office for a board member is four years, beginning on the first Monday in January following the November election

Appointed Officials

	<u>Present Term Began</u>	<u>Present Term Expires</u>	<u>Initial Appointment</u>
Steven C. Norton* Superintendent	July 2006	June 2008	July 1996
Dale F. Hansen* Business Administrator	July 2006	June 2008	July 1991

*The term of office of the Superintendent and Business Administrator is two years.

Cache County School District Organization—June 2006



FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Cache County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cache County School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of Cache County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cache County School District as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2006 on our consideration of Cache County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The combining nonmajor fund statements and schedules in the financial section of the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Cache County School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Peterson Alfred Jackson

October 5, 2006

Management's Discussion and Analysis

As management of the Cache County School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5 - 9 of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements can be found on pages 25 - 26 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: government funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial

statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service, and the capital projects fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 27 – 31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide statement because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 – 46 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$27,236,156 at the close of the most recent fiscal year.

A large portion of the District's net assets (56%) reflects its investment in capital assets (e.g., land, water stock, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital lease) used to acquire those assets that are still outstanding. The District uses these assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CACHE COUNTY SCHOOL DISTRICT'S Net Assets

	Governmental activities	
	2006	2005
Current and other assets	\$ 38,038,082	\$ 49,005,897
Capital assets	83,351,679	76,116,789
Total assets	121,389,761	125,122,686
Long-term liabilities outstanding	68,018,667	71,408,269
Other liabilities	26,134,938	27,034,489
Total liabilities	94,153,605	98,442,758
Net assets:		
Invested in capital assets, net of related debt	15,333,012	4,708,520
Restricted	7,941,125	17,606,820
Unrestricted	3,962,019	4,364,588
Total net assets	\$ 27,236,156	\$ 26,679,928

An additional portion of the District's net assets (29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3,962,019) may be used to meet the District's ongoing obligations to students, employees, and creditors. The unrestricted net asset amount has been earmarked for the following purposes:

- *Designation for undistributed reserve* of \$1,250,000 or 2% of general fund budgeted revenues. As allowed by state law, the District has established an undistributed reserve within the general fund set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. State law allows the

District the ability to establish an undistributed reserve up to \$3,500,000 or 5% of general fund budgeted revenues. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating of A2 given by Moody's Investor Service.

- *Reservation for inventories* of \$129,699. Net assets within the general fund are reserved reflecting the initial purchase value of supply and equipment inventories held as of June 30, 2006.
- *Designation for early retirement* of \$725,092. Net assets within the general fund are designated for the use of early retirement payments in the future.
- *Designation for unrestricted program balances* of \$800,119. Funds received that are designated for a specific program are carried over to the following fiscal year when not expended.
- *Designation for fire insurance deductible* of \$30,000. The District is required to cover a front-end deductible amount in the case of building damage caused by fire.

At the end of the current fiscal year, the District is able to report positive balances in both categories of net assets, both for the District as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

CACHE COUNTY SCHOOL DISTRICT Changes in Net Assets

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,856,311	\$ 3,710,001
Operating grants and contributions	22,885,063	30,388,136
Capital grants and contributions	2,028,844	2,097,895
General revenues:		
Property taxes	16,104,821	15,910,775
Federal and state aid not restricted to specific purposes	36,797,469	27,864,866
Earnings on investments	1,135,070	865,164
Miscellaneous	87,421	165,416
Total revenues	<u>82,894,999</u>	<u>81,002,253</u>
Expenses:		
Instruction services	48,845,516	46,303,392
Supporting services:		
Students	1,469,120	1,435,514
Instructional staff	3,039,558	4,017,637
District administration	399,374	611,874
School administration	3,969,774	3,761,427
Business	873,584	504,435
Operation and maintenance of facilities	5,670,184	5,158,548
Transportation	5,501,558	5,093,883
Other	-	863,701
Non-instructional services	4,863,140	4,880,458
Capital outlay	4,441,361	3,501,907
Interest on long-term liabilities	3,265,602	3,404,339
Total expenses	<u>82,338,771</u>	<u>79,537,115</u>
Change in net assets	556,228	1,465,138
Net assets - beginning	26,679,928	25,214,790
Net assets - ending	<u><u>\$ 27,236,156</u></u>	<u><u>\$ 26,679,928</u></u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities and reserves for inventories that are not recognized in the governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

General fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved and undesignated fund balances was \$710,727 while the total fund balance was \$3,645,637. The unreserved and undesignated fund balance increased by \$297,455 while the total fund balance decreased by \$359,181 during the current fiscal year. Key factors in this change are as follows:

- Property tax revenues increased by \$333,306 or 63.7% primarily from the new growth in the county's tax base in the form of new construction.
- State aid increased \$2,266,246 or 4.6% due to increased student enrollment and the increased value of the weighted-pupil-unit.

Expenditures for general District purposes totaled \$68,284,111, an increase of 2.4% during the current fiscal year; this increase mainly was within the instructional services and operation and maintenance of facilities expenditure functions due to the increase in the number of certificated educators needed to accommodate the increase in student enrollment and the increased cost of public utilities.

General fund salaries totaled \$40,403,973 while the associated fringe benefits of retirement, social security, unemployment, industrial insurance, and health and accident insurance added \$17,456,916 to arrive at 85% of total general fund expenditures.

The capital projects fund has a total fund balance of \$7,175,203, all of which is restricted for acquisition of capital assets and purchase of supplies, and related expenditures. The fund balance decreased by \$9,412,930 during the current year due to numerous capital projects being completed or in progress.

The debt service fund has a total fund balance of \$145,691, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance decreased by \$196,180 during the current year due to property tax collections being received more closely in line to budget projections based upon assessed valuation figures provided by the county assessor's office.

The school lunch special revenue fund balance of \$496,653 reflects a decrease of \$81,841 in total fund balance. This is due primarily to the increased cost of preparation of meals and the fact that lunch ticket prices have not been raised for several years.

The Cache Education Foundation received contributions of \$230,762 during the current fiscal year to assist school programs.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$4,600,064 or 7% of total general fund expenditures may be summarized as follows:

- \$3,645,278 or 7.4% increase in instructional services
- \$329,985 or 10% increase in instructional staff
- \$265,206 or 51% increase in business services

During the current fiscal year, the \$4,255,647 negative budget to actual variance in total general fund revenues, and the \$5,748,930 positive budget to actual variance in total general fund expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Program revenues are budgeted to spend all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenues received but not spent are restricted and are classified as deferred revenue rather than current revenue. These funds are carried over to the subsequent year. As a result, overall fund expenditures variances will be positive.

Capital Asset and Debt Administration

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2006 and 2005 are outlined below:

CACHE COUNTY SCHOOL DISTRICT'S Capital Assets

	Governmental activities	
	2006	2005
Land	\$ 4,861,828	\$ 4,307,472
Construction in progress	8,179,244	9,573,803
Buildings and improvements	103,382,754	92,929,901
Furniture and equipment	3,006,458	2,844,217
Vehicles	9,158,597	8,546,070
Accumulated depreciation	(45,237,202)	(42,084,674)
Total capital assets, being depreciated	<u>\$ 83,351,679</u>	<u>\$ 76,116,789</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration. The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit for 2006 was \$140,258,528. General obligation debt at June 30, 2006 is \$67,783,086, resulting in a legal debt margin of \$72,475,442.

Although it is not unusual at the national level to have a 30-year bond payoff schedule, the District maintains an aggressive schedule paying off debt by 2021.

CACHE COUNTY SCHOOL DISTRICT'S Outstanding Debt

	Governmental activities	
	2006	2005
General obligation bonds	<u>\$ 67,075,000</u>	<u>\$ 70,185,000</u>

Additional information on the District's long-term debt can be found on Note 6 to the basic financial statements.

Changing Enrollment within the District

The components of changing enrollment are migration and the kindergarten to grade 12 (K-12) differential. The K-12 differential is size of the grade 12 leaving, and the size of the kindergarten students entering the District in a given year. District births and number of students per grade are known data. District growth occurs when the number of kindergarten students entering the system exceeds the grade 12 students leaving the system in a given fiscal year. Given this single K-12 differential factor, estimated new growth for the next three years will be an additional 608 students or 4.7%.

CACHE COUNTY SCHOOL DISTRICT'S Changing Enrollment Kindergarten-Grade 12 Differential

Birth Year of Kindergarten Students	2001	2002	2003	
District Fiscal Year	2007	2008	2009	Total
Kindergarten Students Entering	1,103	1,166	1,201	3,470
12th Grade Students Leaving	912	966	984	2,862
K-12 Differential	191	200	217	608

Requests for Information

This financial report is designed to provide a general overview of the Cache County School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Cache County School District, 2063 North 1200 East, North Logan, UT 84341.

BASIC FINANCIAL STATEMENTS

CACHE COUNTY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

With Comparative Totals for 2005

	<u>Governmental Activities</u> <u>2006</u>	<u>Memorandum Total</u> <u>2005</u>
Assets:		
Cash and investments	\$ 15,380,176	\$ 27,631,260
Receivables:		
Local	18,153,884	16,710,414
State	195,913	140,977
Federal	3,756,900	3,929,069
Total receivables	22,106,697	20,780,460
Inventories	232,891	232,471
Other assets	1,936	1,936
Bond issuance costs, net	316,382	359,770
Capital assets:		
Land	4,861,828	4,307,472
Buildings	103,382,754	92,929,901
Construction in progress	8,179,244	9,573,803
Vehicles	9,158,597	8,546,070
Equipment	3,006,458	2,844,217
Accumulated Depreciation	(45,237,202)	(42,084,674)
Total capital assets	83,351,679	76,116,789
Total assets	121,389,761	125,122,686
Liabilities:		
Cash	17,395	-
Accounts payable	2,941,262	5,066,223
Accrued interest	84,439	91,484
Accrued vacation	239,880	225,368
Deferred revenue:		
Property taxes	17,017,706	15,860,296
Program revenues	5,834,256	5,791,118
Noncurrent liabilities:		
Due within one year	3,520,851	3,336,255
Due in more than one year	64,497,816	68,072,014
Total liabilities	94,153,605	98,442,758
Net Assets:		
Invested in capital assets, net of related debt	15,333,012	4,708,520
Restricted for:		
School lunch	496,653	578,494
Non K-12 programs	-	-
Foundation	208,017	189,806
Capital projects	7,175,203	16,588,133
Debt service	61,252	250,387
Unrestricted	3,962,019	4,364,588
Total net assets	\$ 27,236,156	\$ 26,679,928

The notes to the financial statements are an integral part of this statement.

CACHE COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2006

With Comparative Totals for 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instructional services	\$ 48,845,516	\$ 277,467	\$ 16,240,329	\$ -	\$ (32,327,720)	\$ (22,165,103)
Supporting services:						
Students	1,469,120	-	-	-	(1,469,120)	(1,435,514)
Instructional staff	3,039,558	1,056	7,092	-	(3,031,410)	(3,564,688)
District administration	399,374	-	-	-	(399,374)	(611,874)
School administration	3,969,774	-	-	-	(3,969,774)	(3,761,427)
Business	873,584	-	-	-	(873,584)	(504,435)
Operation and maintenance of facilities	5,670,184	65,279	77,043	-	(5,527,862)	(5,018,810)
Transportation	5,501,558	1,343,480	3,384,546	-	(773,532)	(731,618)
Other	-	-	-	-	-	(863,701)
Non instructional services	4,863,140	2,169,029	3,176,053	-	481,942	180,948
Capital outlay	4,441,361	-	-	2,028,844	(2,412,517)	(1,460,522)
Interest on long-term liabilities	3,265,602	-	-	-	(3,265,602)	(3,404,339)
Total school district	\$ 82,338,771	\$ 3,856,311	\$ 22,885,063	\$ 2,028,844	\$ (53,568,553)	\$ (43,341,083)
General revenues:						
Property taxes levied for:						
General purposes					8,965,265	8,643,452
Transportation					368,604	357,111
Debt service					6,184,647	6,343,839
Capital					586,305	566,373
Federal and state aid not restricted to specific purposes					36,797,469	27,864,866
Earnings on investments					1,135,070	865,164
Miscellaneous					87,421	165,416
Total general revenues					54,124,781	44,806,221
Change in net assets					556,228	1,465,138
Net assets - beginning					26,679,928	25,214,790
Net assets - ending					\$ 27,236,156	\$ 26,679,928

The notes to the financial statement are an integral part of this statement.

CACHE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006
With Comparative Totals for 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds 2006</u>	<u>Total Memorandum Only 2005</u>
Assets:						
Cash and investments	\$ 6,058,065	\$ 7,689,973	\$ -	\$ 1,632,138	\$ 15,380,176	\$ 27,631,260
Due from other governments	14,052,527	1,207,410	6,464,141	382,619	22,106,697	20,780,460
Due from other funds	-	-	-	-	-	4,551
Inventories	129,699	6,006	-	97,186	232,891	232,471
Other assets	-	-	-	1,936	1,936	1,936
Total assets	<u>\$ 20,240,291</u>	<u>\$ 8,903,389</u>	<u>\$ 6,464,141</u>	<u>\$ 2,113,879</u>	<u>\$ 37,721,700</u>	<u>\$ 48,650,678</u>
Liabilities and fund balances:						
Liabilities:						
Cash	\$ -	\$ -	\$ 17,395	\$ -	\$ 17,395	\$ -
Accounts payable	2,161,335	536,237	-	243,690	2,941,262	5,066,223
Accrued vacation	231,794	-	-	8,086	239,880	225,368
Due to other funds	-	-	-	-	-	4,551
Deferred revenue:						
Property taxes	9,524,702	1,191,949	6,301,055	-	17,017,706	15,860,296
Program revenue	4,676,823	-	-	1,157,433	5,834,256	5,791,118
Total liabilities	<u>16,594,654</u>	<u>1,728,186</u>	<u>6,318,450</u>	<u>1,409,209</u>	<u>26,050,499</u>	<u>26,947,556</u>
Fund Balances:						
Reserved for:						
Inventories	129,699	6,006	-	97,186	232,891	232,471
Debt service	-	-	145,691	-	145,691	341,871
Unreserved:						
Designated for:						
Undistributed reserve	1,250,000	-	-	-	1,250,000	1,250,000
Schools	-	-	-	208,017	208,017	189,806
Early retirement	725,092	-	-	-	725,092	1,159,160
Restricted program balances	800,119	-	-	-	800,119	1,025,307
Cellular phone program	-	-	-	-	-	-
Fire insurance deductible	30,000	-	-	-	30,000	30,000
Undesignated, reported in:						
General fund	710,727	-	-	-	710,727	413,272
Capital projects fund	-	7,169,197	-	-	7,169,197	16,584,200
Special revenue funds	-	-	-	399,467	399,467	477,035
Total fund balances	<u>3,645,637</u>	<u>7,175,203</u>	<u>145,691</u>	<u>704,670</u>	<u>11,671,201</u>	<u>21,703,122</u>
Total liabilities and fund balances	<u>\$ 20,240,291</u>	<u>\$ 8,903,389</u>	<u>\$ 6,464,141</u>	<u>\$ 2,113,879</u>	<u>\$ 37,721,700</u>	<u>\$ 48,650,678</u>

The notes to the financial statements are an integral part of this statement.

CACHE COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 11,671,201
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$128,588,881 and the accumulated depreciation is \$45,237,202	83,351,679
To recognize interest accrual to year end. Accrued interest for general obligation bonds is \$84,439	(84,439)
Bond issue costs are reported as expenditures in the governmental funds. The cost is \$702,744 and accumulated amortization is \$386,362	316,382
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(68,018,667)</u>
Total net assets - governmental activities	<u>\$ 27,236,156</u>

The notes to the financial statements are an integral part of this statement.

CACHE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006
With Comparative Totals for 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds 2006</u>	<u>Total Governmental Funds 2005</u>
Revenues:						
Property taxes	\$ 9,333,869	\$ 586,305	\$ 6,184,647	\$ -	\$ 16,104,821	\$ 15,910,775
Earnings on investments	541,200	592,050	1,820	-	1,135,070	865,164
School lunch sales	-	-	-	2,122,491	2,122,491	2,090,594
Other local sources	2,316,817	6,906	-	277,300	2,601,023	2,132,244
State aid	51,348,732	2,028,844	-	1,343,346	54,720,922	52,023,332
Federal aid	4,381,301	-	-	1,832,707	6,214,008	7,926,152
Total revenues	<u>67,921,919</u>	<u>3,214,105</u>	<u>6,186,467</u>	<u>5,575,844</u>	<u>82,898,335</u>	<u>80,948,261</u>
Expenditures:						
Current:						
Instructional services	47,669,428	-	-	952,675	48,622,103	46,095,981
Supporting services:						
Students	1,469,120	-	-	-	1,469,120	1,435,514
Instructional staff	2,988,685	-	-	50,873	3,039,558	4,017,637
District administration	399,374	-	-	-	399,374	611,874
School administration	3,969,774	-	-	-	3,969,774	3,761,427
Business	873,584	-	-	-	873,584	504,435
Operation and maintenance of facilities	5,599,919	-	-	-	5,599,919	5,101,199
Transportation	5,102,638	-	-	-	5,102,638	4,727,238
Other supporting	-	-	-	-	-	863,701
Non-instructional services	211,589	-	-	4,632,915	4,844,504	4,856,344
Capital outlay	-	12,633,978	-	-	12,633,978	14,815,161
Debt service:						
Principal retirement	-	-	3,110,000	-	3,110,000	2,860,000
Interest and fiscal charges	-	-	3,272,647	-	3,272,647	3,385,741
Total expenditures	<u>68,284,111</u>	<u>12,633,978</u>	<u>6,382,647</u>	<u>5,636,463</u>	<u>92,937,199</u>	<u>93,036,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(362,192)</u>	<u>(9,419,873)</u>	<u>(196,180)</u>	<u>(60,619)</u>	<u>(10,038,864)</u>	<u>(12,087,991)</u>
Other financing sources (uses):						
Transfers	3,011	-	-	(3,011)	-	-
Sale of capital assets/other	-	6,943	-	-	6,943	53,992
Bond proceeds	-	-	-	-	-	27,515,313
Bond premium	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	<u>3,011</u>	<u>6,943</u>	<u>-</u>	<u>(3,011)</u>	<u>6,943</u>	<u>27,569,305</u>
Net change in fund balances	<u>(359,181)</u>	<u>(9,412,930)</u>	<u>(196,180)</u>	<u>(63,630)</u>	<u>(10,031,921)</u>	<u>15,481,314</u>
Fund balances - beginning	<u>4,004,818</u>	<u>16,588,133</u>	<u>341,871</u>	<u>768,300</u>	<u>21,703,122</u>	<u>6,221,808</u>
Fund balances - ending	<u>\$ 3,645,637</u>	<u>\$ 7,175,203</u>	<u>\$ 145,691</u>	<u>\$ 704,670</u>	<u>\$ 11,671,201</u>	<u>\$ 21,703,122</u>

The notes to the financial statements are an integral part of this statement.

CACHE COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds **\$ (10,031,921)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	10,529,085	
Depreciation expense		(3,283,916)	
Loss on sale of assets		(10,279)	7,234,890

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	3,110,000		
Repayment of capital lease principal	226,254		
Interest expense/accrual change - general obligation bonds	7,045		
Amortization of bond issuance costs/premium/refunding	9,960	3,353,259	

Change in net assets of governmental activities **\$ 556,228**

CACHE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 9,192,149	\$ 9,192,149	\$ 9,333,869	\$ 141,720
Earnings on investments	225,000	350,000	541,200	191,200
Other local sources	1,575,167	1,847,365	2,316,817	469,452
State aid	51,113,087	56,095,409	51,348,732	(4,746,677)
Federal aid	4,402,775	4,692,643	4,381,301	(311,342)
Total revenues	66,508,178	72,177,566	67,921,919	(4,255,647)
Expenditures:				
Current:				
Instructional services	48,964,357	52,609,635	47,669,428	4,940,207
Supporting services:				
Students	1,571,094	1,598,523	1,469,120	129,403
Instructional staff	3,159,476	3,489,461	2,988,685	500,776
District administration	412,372	414,333	399,374	14,959
School administration	3,949,424	4,078,415	3,969,774	108,641
Business	521,852	787,058	873,584	(86,526)
Operation and maintenance of facilities	5,597,719	5,648,890	5,599,919	48,971
Transportation	5,013,794	5,195,137	5,102,638	92,499
Other support	31,300	-	-	-
Non-instructional	211,589	211,589	211,589	-
Total expenditures	69,432,977	74,033,041	68,284,111	5,748,930
Excess of revenues over expenditures	(2,924,799)	(1,855,475)	(362,192)	1,493,283
Other financing sources (uses):				
Transfer in/out	(130,034)	21,049	3,011	(18,038)
Net change in fund balances	(3,054,833)	(1,834,426)	(359,181)	1,475,245
Fund balances - beginning	4,004,818	4,004,818	4,004,818	-
Fund balances - ending	\$ 949,985	\$ 2,170,392	\$ 3,645,637	\$ 1,475,245

The notes to the financial statements are an integral part of this statement.

CACHE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2006
With Comparative Totals at June 30, 2005

	Student Activities Fund 2006	Student Activities Fund 2005
Assets:		
Cash and investments	<u>\$ 1,457,310</u>	<u>\$ 1,417,094</u>
Liabilities		
Due to student groups	<u>\$ 1,457,310</u>	<u>\$ 1,417,094</u>

The notes to the financial statements are an integral part of this statement.

CACHE COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

Note 1: Summary of Significant Accounting Policies

The financial statements of the Cache County School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- Beginning with 2003 the financial statements include:
 - A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.
 - Financial Statements prepared using full-accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Reporting entity

The Board of Education, comprised of seven elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its component unit, Cache Education Foundation, for which the District is considered to be financially accountable. The District is not a component unit of any other primary government. A blended component unit, although a legally separate entity, is, in substance, part of the District's operations.

- *Blended component unit.* The Cache Education Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation exclusively services the District. The Foundation is presented as a special revenue fund of the District.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the District and the Foundation. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct *expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to early retirement, and postemployment healthcare benefits, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *debt service* accounts for resources accumulated and payments of general obligation, bond principal and interest due annually.
- The *capital projects fund* is used to account for the costs incurred in acquiring and improving sites, construction, remodeling, and equipment.

Additionally, the District reports the following types:

- The *student activities agency fund (a fiduciary fund)* accounts for assets held on behalf of student groups.

Amounts reported as *program revenues* include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds except for the Cache Education Foundation special revenue fund. Budgets are not adopted on a District level for the Cache Education Foundation special revenue fund, or the student activities agency fund. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During June of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons of the District.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

An encumbrance accounting system, in which purchase orders for the expenditure of funds are recorded to restrict that portion of the applicable appropriation, is not used by the District. Appropriations outstanding at the end of the fiscal year lapse with the exception of those indicated as a fund balance reserve. The District intends to honor these commitments and provides for the expenditure in the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenues variances will be negative, and overall fund expenditures variances will be positive.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., current portion of interfund loans).

Inventories

Inventories are valued at cost, using the moving average method with the exception of the treatment of donated inventories described below. The consumption method of accounting is applied to the inventories of all funds.

Inventories of donated United States Department of Agriculture (USDA) commodities on hand at year-end are reported on the balance sheet at fair market value on the date received as inventory. Commodities used during the year are reported as revenue and expenditure on the operating statement.

Capital Assets

Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Building and Improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements and portable classrooms	15
Maintenance equipment	10
Vocational education equipment	10
Buses	20
Musical instruments	10
Furniture	10
Office equipment	10
Athletic equipment	10
Vehicles	10
Audio visual equipment	5
Computer equipment	5

Compensated absences

Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated vacation days to a maximum of 20 days. No accrual is made for unused sick leave.

The experience of the District is that most employees use vacation leave in the same year it is earned. Vacation leave may accumulate indefinitely. However, no more than 30 vacation days may be used in any contract year. The District defines the liquidation period or the current period to be one year and sufficient expendable financial resources are available in the applicable governmental funds. The District has accordingly accrued the entire amount of accumulated vacation leave subject to reimbursement as expenditure and a fund liability of the governmental fund that will pay it.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the lives of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund

financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

Note 2: Deposits and Investments

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$9,270,647 of the local government's bank balances of \$10,593,629 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an

amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$10,860,343 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTFI and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 3: Property Taxes

The property tax revenue of the District is collected and distributed by the Cache County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2005, all property taxes receivable by the District are delinquent and represent taxes assessed but uncollected for calendar year 2004 and earlier. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992 there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10-\$150 based on the age of the vehicle. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognized the age-based fee as revenue when the County collects it.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2006 is as follows:

	<u>June 30, 2005</u> <u>balance</u>	<u>New additions</u>	<u>Retirements</u>	<u>June 30, 2006</u> <u>balance</u>
Land and improvements	\$4,307,472	\$ 554,356	\$ --	\$ 4,861,828
Building and improvements	92,929,901	10,452,853	--	103,382,754
Equipment	2,844,217	216,047	(53,806)	3,006,458
Construction in progress	9,573,803	8,179,244	(9,573,803)	8,179,244
Vehicles and buses	<u>8,546,070</u>	<u>700,388</u>	<u>(87,861)</u>	<u>9,158,597</u>
Total Assets	118,201,463	20,102,888	(9,715,470)	128,588,881
Accumulated Depreciation	<u>(42,084,674)</u>	<u>(3,283,916)</u>	<u>131,388</u>	<u>(45,237,202)</u>
Net Capital Assets	<u>\$ 76,116,789</u>	<u>\$16,818,972</u>	<u>\$ (9,584,082)</u>	<u>\$ 83,351,679</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities:

Instructional services	\$ 223,413
Supporting services:	
Operation and maintenance of plant services	70,265
Transportation services	398,920
School lunch services	18,636
Capital outlay	<u>2,572,682</u>
Total depreciation expense, governmental activities	<u>\$3,283,916</u>

Note 5: Retirement Plans

Defined Benefit Plans

The District contributes to the State and School Contributory Retirement System and State and the School Noncontributory Retirement System (collectively, the Systems) which are cost-sharing multiple-employer

defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the URS and plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 1.00% of annual covered salary, and the District contributes 13.89% of annual covered salary. For employees participating in the State and School Noncontributory System, the District contributes 13.38% of annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The District's contributions to the State and School Contributory Retirement System for the years ended June 30, 2006, 2005, and 2004 are \$59,387, \$58,208, and \$49,674, respectively, and employee contributions were \$4,275, \$4,191, and \$4,058, respectively. The District's contributions to the State and School Noncontributory Retirement System for the years ended June 30, 2006, 2005, and 2004 are \$5,290,805, \$5,191,843, and \$4,307,104, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans

The District also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2006, 2005, and 2004 are \$598,930, \$591,524, and \$553,530, respectively; the employee contributions for the years ending June 30, 2006, 2005, and 2004 are \$1,376,213, \$1,344,284, and \$1,186,040, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$104,921 for the year ended June 30, 2006. The assets of the plan are administered and held by URS and a third-party administrator.

Early Retirement

The District provides an early retirement incentive program. Eligibility is restricted to those employees with a minimum of ten years of service in the District who have reached age 60, except those under age 60 who retire under provision of the Utah State Employee's Retirement Act. Those qualifying under this program, who choose to retire early, may receive a salary benefit and a health and accident benefit for up to four years. The educator retiree will receive 50 percent of the difference between the Experience step 1, BS. Degree, and that lane and experience level which they are on at the time of early retirement. In the case of administrators, the retirement amount will be as herein described except that a percentage for administrative experience, extra time, and responsibility will be added consistent with currently adopted salary schedules. This compensation will be paid on a monthly basis. The contracted classified retiree will receive 50 percent of the difference between the Experience step zero of appropriated job classification lane and that lane and experience level which they are on at the time of last full year of employment. This compensation will be paid on a monthly basis. The District's direct payments to retirees in the years ended June 30, 2006 and 2005 are \$482,114 and \$448,248, respectively. Future retirement payments of employees who have elected early retirement is shown as a designation of the general fund balance and is recognized as an expenditure in the year paid.

The schedule below is a summary of the early retirement payments expected to be paid during the next five years.

Year Ending <u>June 30,</u>	Early Retirement <u>Payments</u>
2007	\$ 645,439
2008	576,255
2009	458,008
2010	293,486
2011	<u>30,113</u>
Total early retirement payments	<u>\$ 2,003,301</u>

Note 6: Long-Term Debt

Long-term liability activity for the year ended June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$70,185,000	\$ --	\$(3,110,000)	\$ 67,075,000	\$ 3,285,000

Deferred amounts for issuance premium	2,448,664	--	(193,950)	2,254,714	
Deferred amounts on refunding	(1,687,230)	--	140,602	(1,546,628)	
Obligations under capital leases	<u>461,835</u>	<u>--</u>	<u>(226,254)</u>	<u>235,581</u>	<u>235,581</u>
Total governmental activity long-term liabilities	<u>\$71,408,269</u>	<u>\$ --</u>	<u>\$(3,389,602)</u>	<u>\$ 68,018,667</u>	<u>\$ 3,520,581</u>

Payments on the general obligation bonds are made by the debt service fund with property taxes. The obligations under capital leases are paid by the capital projects fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2006, including interest payments are as follows:

The following is a summary of debt service requirements to maturity:

<u>Year ending June 30,</u>	<u>Bonds Outstanding</u>
2007	6,389,298
2008	6,387,678
2009	6,384,118
2010	6,389,480
2011	6,386,843
2012 - 2016	31,945,432
2017 - 2021	<u>30,804,214</u>
Total	94,687,063
Less interest	<u>(27,612,063)</u>
Outstanding principal	<u>\$ 67,075,000</u>

Serial bonds

The District's general long-term debt consists of the following:

\$38,620,000 Series 1997 General obligation refunding bonds due in annual installments ranging from \$620,000 to \$4,705,000 plus interest ranging from 4.00 to 5.50 percent.	\$ 2,145,000
---	--------------

\$15,880,000 Series 1998 General obligation refunding bonds due in annual installments ranging from \$65,000 to \$2,745,000 plus interest ranging from 3.75 to 4.70 percent.	15,290,000
\$22,700,000 Series 2004A General obligation refunding bonds due in annual installments ranging from \$30,000 to \$4,630,000 plus interest from 1.65 to 5.0 percent.	22,640,000
\$27,000,000 Series 2004B General obligation refunding bonds due in annual installments ranging from \$450,000 to \$5,870,000 plus interest from 3.25 to 4.75 percent.	<u>27,000,000</u>
Total bonds payable	<u>\$ 67,075,000</u>

Advance Refunding- March 4, 2004

The District issued \$22,700,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$22,965,000 of general obligation bonds. As a result, a portion of the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,827,832. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments by \$1,039,364 and resulted in an economic gain of \$810,356.

Defeasance of Debt- January 1, 1998

On January 1, 1988 the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 1998, \$15,000,000 of bonds outstanding are considered defeased.

Note 7: Capital leases

The District has leased certain equipment that meets the criterion to be treated as capital lease as directed by the Financial Accounting Standards Board in their statement of financial accounting standards number 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The District leases various equipment through capital leasing arrangement in the governmental fund. The assets and obligations for agreements of the governmental funds are recorded in the fund financial statements. The assets acquired through capital leases and the current balances due are as follows:

<u>Class of Property</u>	<u>Balance June 30, 2006</u>	<u>Interest Rate</u>	<u>Term Years</u>
Air conditioning/lighting system	235,581	4.06%	3

The following is an analysis of equipment acquired under capital leases as of June 30, 2004:

	<u>Capital Assets</u>
Air conditioning/ lighting systems	\$ 2,201,427
Accumulated depreciation	<u>(1,834,522)</u>
Carrying value	<u>\$ 366,905</u>

The future minimum lease obligation as of June 30, 2006 were as follows:

<u>Year ending June 30,</u>	<u>Capital Leases</u>
2007	\$ <u>235,581</u>

Note 8: Interfund Activity

Interfund transfers during the year ended June 30, 2006 are as follows:

Transfer in:	Transfer out:
General Fund \$ 3,011	Non K-12 Fund

Note 9: Grants

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

Note 10: Risk Management

The District is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the District's participation in the State Risk Management system for school districts. This is a pooled arrangement where the districts pay experienced rated annual premiums which are designed to pay claims and build sufficient reserves

so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. Insurance coverage from coverage by major category of risk has remained relatively constant or increased as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

Note 11: Construction Commitments

The District was obligated for \$1,111,916 at June 30, 2006, under construction commitments detailed below:

Canyon Elementary	\$ 51,309
South Cache Center	262,530
Transportation/Maintenance Facility	19,240
Mountain Crest High School	44,890
Sky View High School	733,947

Nonmajor Governmental Funds Special Revenue Funds

School Lunch Fund - This fund is used to account for the food service activities of the District as required by state and federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost, nutritionally balanced meals.

Non K-12 Programs Fund - This fund is used to account for programs that are not part of the basic educational program of kindergarten, elementary and secondary students. These areas include: adult education, preschool for disabled students, and community education.

Cache Education Foundation Expendable Trust Fund - This fund is used to account for donations received by the District. The Foundation was formed in August 1989, to provide a continuing organization, outside the public school system, for the benefit of Cache County School District. The activities of the Foundation are governed by an eighteen member board of directors: one member of the Cache School District Board of Education, the Superintendent of the District or his designee, one teacher employed by the District, the Foundation president, one parent elected by the Cache PTA Council, and thirteen members from the general public. Although the Foundation's activities and records are operated and maintained separate from the District, the District is considered to be financially accountable for the Foundation.

Capital Projects

The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16_104 and 53A-17a-145. Also, state funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid. Utah law defines the Capital Projects Fund as Capital Outlay Fund.

CACHE COUNTY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2006

With Comparative Totals for 2005

	Special Revenue				Total Nonmajor Governmental Funds	
					2006	2005
	School Lunch	Non K-12 Programs	Cache Education Foundation			
Assets:						
Cash and investments	\$ 273,787	\$ 1,203,515	\$ 154,836		\$ 1,632,138	\$ 1,379,843
Due from other governments	165,276	166,098	51,245		382,619	330,959
Inventories	97,186	-	-		97,186	101,459
Other assets	-	-	1,936		1,936	1,936
Total assets	\$ 536,249	\$ 1,369,613	\$ 208,017		\$ 2,113,879	\$ 1,814,197
Liabilities:						
Accounts payable	\$ 31,510	\$ 212,180	\$ -		243,690	\$ 99,082
Accrued vacation	8,086	-	-		8,086	7,770
Due to other funds	-	-	-		-	4,551
Deferred revenue:						
Property taxes	-	-	-		-	-
Program revenue	-	1,157,433	-		1,157,433	934,494
Total liabilities	39,596	1,369,613	-		1,409,209	1,045,897
Fund balances:						
Reserved for inventory	97,186	-	-		97,186	101,459
Designated for schools	-	-	208,017		208,017	189,806
Unreserved, undesignated	399,467	-	-		399,467	477,035
Total fund balances	496,653	-	208,017		704,670	768,300
Total liabilities and fund balances	\$ 536,249	\$ 1,369,613	\$ 208,017		\$ 2,113,879	\$ 1,814,197

CACHE COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006
With Comparative Totals for 2005

	Special Revenue				Total Nonmajor Governmental Funds 2006	Total Nonmajor Governmental Funds 2005
	School Lunch	Non K-12 Programs	Cache Education Foundation			
Revenues:						
Lunch sales	\$ 2,122,491	\$ -	\$ -		\$ 2,122,491	\$ 2,090,594
Other local revenues	41,463	5,075	230,762		277,300	293,616
State aid	507,960	835,386	-		1,343,346	944,984
Federal aid	1,666,609	166,098	-		1,832,707	1,813,188
Total revenues	4,338,523	1,006,559	230,762		5,575,844	5,142,382
Expenditures:						
Current:						
Instructional services	-	952,675	-		952,675	799,390
Supporting services:						
Instruction staff	-	50,873	-		50,873	53,090
Operation and maintenance of facilities	-	-	-		-	-
Non-instructional	4,420,364	-	212,551		4,632,915	4,432,560
Capital outlay	-	-	-		-	-
Interest charges	-	-	-		-	-
Total expenditures	4,420,364	1,003,548	212,551		5,636,463	5,285,040
Excess of revenues over expenditures	(81,841)	3,011	18,211		(60,619)	(142,658)
Other financing sources:						
Transfers	-	(3,011)	-		(3,011)	160,070
Other	-	-	-		-	-
Net change in fund balances	(81,841)	-	18,211		(63,630)	17,412
Fund balances - beginning	578,494	-	189,806		768,300	750,888
Fund balances - ending	\$ 496,653	\$ -	\$ 208,017		\$ 704,670	\$ 768,300

CACHE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Lunch sales - children	\$ 2,000,000	\$ 2,026,106	\$ 26,106	\$ 1,991,987
Lunch Sales - adult	95,000	96,385	1,385	98,607
Other local sales	35,000	41,463	6,463	57,111
Total local sources	2,130,000	2,163,954	33,954	2,147,705
State sources:				
State lunch program	400,000	507,960	107,960	452,965
Total state sources	400,000	507,960	107,960	452,965
Federal sources:				
Free and reduced assistance	1,200,000	1,268,007	68,007	1,215,377
Breakfast program	90,000	120,163	30,163	100,485
Special milk	17,000	10,476	(6,524)	665
Summer special foods	88,662	43,925	(44,737)	59,100
Donated commodities	300,000	224,038	(75,962)	248,767
Total federal sources	1,695,662	1,666,609	(29,053)	1,624,394
Total revenues	4,225,662	4,338,523	112,861	4,225,064
Expenditures:				
Current:				
Salaries	1,452,830	1,440,663	12,167	1,399,068
Employee benefits	826,283	825,473	810	748,419
Purchased services	38,209	28,793	9,416	29,896
Supplies	2,187,693	2,076,835	110,858	1,977,792
Equipment	197,683	48,600	149,083	23,802
Total expenditures	4,702,698	4,420,364	282,334	4,178,977
Net change in fund balances	(477,036)	(81,841)	395,195	46,087
Fund balances - beginning	578,494	578,494	-	532,407
Fund balances - ending	<u>\$ 101,458</u>	<u>\$ 496,653</u>	<u>\$ 395,195</u>	<u>\$ 578,494</u>

CACHE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Community and adult school fees	\$ 10,200	\$ 4,119	\$ (6,081)	\$ 6,164
Preschool school fees	-	956	956	5,433
Total local sources	10,200	5,075	(5,125)	11,597
State sources:				
Adult high school completion	36,022	36,962	940	30,672
Preschool - handicapped	1,973,119	798,424	(1,174,695)	461,347
Adult basic skills	-	-	-	-
Total State Sources	2,009,141	835,386	(1,173,755)	492,019
Federal sources:				
Adult education	44,484	40,690	(3,794)	66,348
Special education preschool grant	125,408	125,408	-	122,446
Total federal sources	169,892	166,098	(3,794)	188,794
Total revenues	2,189,233	1,006,559	(1,182,674)	692,410
Expenditures:				
Current:				
Salaries	859,966	523,009	336,957	570,811
Employee benefits	352,565	184,202	168,363	191,216
Purchased services	767,104	47,966	719,138	43,433
Supplies	104,436	240,053	(135,617)	19,591
Equipment	84,113	8,318	75,795	27,429
Total expenditures	2,168,184	1,003,548	1,164,636	852,480
Excess (deficiency) of revenues over (under) expenditures	21,049	3,011	(18,038)	(160,070)
Transfers	(21,049)	(3,011)	18,038	160,070
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

CACHE COUNTY SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
Cache Education Foundation
Nonmajor Special Revenue Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Revenues:		
Local sources:		
Contributions	\$ 230,762	\$ 224,908
Total revenues	<u>230,762</u>	<u>224,908</u>
Expenditures:		
Current:		
Program services - supplies and materials donated to schools	<u>212,551</u>	<u>253,583</u>
Net change in fund balances	18,211	(28,675)
Fund balances - beginning	<u>189,806</u>	<u>218,481</u>
Fund balances - ending	<u><u>\$ 208,017</u></u>	<u><u>\$ 189,806</u></u>

CACHE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 577,403	\$ 586,305	\$ 8,902	\$ 566,374
Earnings on investments	237,000	592,050	355,050	567,654
Other local	6,801	6,906	105	147,642
Total local sources	821,204	1,185,261	364,057	1,281,670
State sources:				
Capital outlay foundation	2,028,307	2,028,844	537	1,995,862
Risk management dividend	-	-	-	-
Total state sources	2,028,307	2,028,844	537	1,995,862
Total revenues	2,849,511	3,214,105	364,594	3,277,532
Expenditures:				
Facilities acquisition & construction				
Salaries	642,215	632,209	10,006	609,380
Employee benefits	291,939	254,339	37,600	248,283
Purchased services	762,912	544,638	218,274	474,692
Supplies & materials	-	-	-	188,739
Land and improvements	3,750,000	554,357	3,195,643	2,593,889
Buildings	12,471,402	8,926,598	3,544,804	9,694,452
Remodeling	-	158,246	(158,246)	256,346
Furniture & fixtures	-	34,534	(34,534)	25,456
Lease purchases	30,000	30,000	-	-
Other equipment	1,438,804	1,499,057	(60,253)	723,924
Loan payments	-	-	-	118,290
Total expenditures	19,387,272	12,633,978	6,753,294	14,933,451
Excess (deficiency) of revenues over (under) expenditures	(16,537,761)	(9,419,873)	7,117,888	(11,655,919)
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Bond proceeds	-	-	-	27,515,313
Sale of fixed assets/other	8,000	6,943	(1,057)	53,992
Total other financing sources (uses)	8,000	6,943	(1,057)	27,569,305
Net change in fund balances	(16,529,761)	(9,412,930)	7,116,831	15,913,386
Fund balance - beginning	16,588,133	16,588,133	-	674,747
Fund balance - ending	\$ 58,372	\$ 7,175,203	\$ 7,116,831	\$ 16,588,133

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest due annually. Financing is provided by an annual property tax levy not to exceed .0024 plus an additional levy in an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53A-16_104 and 53A-17a-145.

CACHE COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Debt Service Fund
Year Ended June 30, 2006
With Comparative Totals for 2005

	2006			2005
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 6,090,744	\$ 6,184,647	\$ 93,903	\$ 6,343,838
Earnings on investments	-	1,820	1,820	-
Total revenues	6,090,744	6,186,467	95,723	6,343,838
Expenditures:				
Debt service:				
Bond principal	3,110,000	3,110,000	-	2,860,000
Bond interest and fees	3,322,615	3,272,647	49,968	3,267,451
Total expenditures	6,432,615	6,382,647	49,968	6,127,451
Excess (deficiency) of revenues over (under) expenditures	(341,871)	(196,180)	145,691	216,387
Other Financing Sources (Uses):				
Bond premium	-	-	-	-
Bond issuance	-	-	-	-
Bond escrow	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(341,871)	(196,180)	145,691	216,387
Fund balance - beginning	341,871	341,871	-	125,484
Fund balance - ending	\$ -	\$ 145,691	\$ 145,691	\$ 341,871

Fiduciary Fund

Student Activities Agency Fund - This fund is used to account for the funds generated by student groups within the District engaged in activities associated with student life. The District has a fiduciary responsibility concerning these funds to ensure their safety and accountability.

CACHE COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Student activities agency fund
Year ended June 30, 2006

<u>School</u>	<u>Balance 7/1/2005</u>	<u>Cash Receipts</u>	<u>Cash Disbursed</u>	<u>Balance 6/30/2006</u>
Greenville Elementary	\$ 57,217.03	\$ 121,547.54	\$ 123,415.12	\$ 55,349.45
Lewiston Elementary	52,361.30	86,774.32	86,043.63	53,091.99
Lincoln Elementary	16,727.27	68,266.51	70,585.38	14,408.40
Millville Elementary	21,666.79	100,678.59	96,850.13	25,495.25
Nibley Elementary	38,448.72	112,021.94	114,422.43	36,048.23
North Park Elementary	12,534.47	88,060.13	78,271.67	22,322.93
Park Elementary	23,234.06	42,370.36	46,552.10	19,052.32
Providence Elementary	14,686.70	153,902.14	150,165.36	18,423.48
River Heights Elementary	39,112.99	123,769.07	131,434.23	31,447.83
Summit Elementary	34,174.92	141,844.03	138,133.62	37,885.33
Sunrise Elementary	30,779.58	156,449.22	154,672.30	32,556.50
Wellsville Elementary	33,282.20	119,387.10	114,301.29	38,368.01
Canyon Elementary	942.48	115,800.91	102,674.20	14,069.19
Cedar Ridge Middle	41,475.43	209,485.52	216,018.22	34,942.73
Spring Creek Middle	46,157.15	257,177.04	247,676.99	55,657.20
White Pine Middle	43,314.63	138,239.50	138,746.23	42,807.90
Willow Valley Middle	141,415.85	198,925.07	237,112.99	103,227.93
North Cache 8-9 Center	163,321.64	470,833.33	468,353.34	165,801.63
South Cache 8-9 Center	335,428.34	454,347.62	457,169.33	332,606.63
Mountain Crest High	79,353.98	1,571,054.54	1,537,775.88	112,632.64
Sky View High	165,281.32	1,518,861.08	1,493,174.66	190,967.74
Cache High	26,176.86	25,836.20	31,866.04	20,147.02
Sub Totals	1,417,093.71	6,275,631.76	6,235,415.14	1,457,310.33
Less: School Lunch Receipts/Transfers		(2,122,491.34)	(2,122,491.34)	
Textbook Fees Receipts/Transfers		(64,693.50)	(64,693.50)	
Drivers Educ. Fees Receipts/Transfers		(99,415.30)	(99,415.30)	
Swimming Pool Rental Receipts/Transfer		(96,533.51)	(96,533.51)	
Grand Totals	<u>\$ 1,417,093.71</u>	<u>\$ 3,892,498.11</u>	<u>\$ 3,852,281.49</u>	<u>\$ 1,457,310.33</u>

SINGLE AUDIT SECTION

**CACHE COUNTY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Program Number</u>	<u>Program/Award Amount</u>	<u>Expenditures</u>
United States Department of Education Mentoring Grant	84.184B	7311	\$ 393,249	\$ 233,684
United States Department of Education passed through: WestEd	84.319A	7701	180,000	71,754
United States Department of Education passed through: Utah State Office of Education				
IDEA B Discretionary	84.027A	7524	12,514	12,514
Title IC migrant children	84.011A	7830	93,056	62,286
ATE tech- Perkins	84.048A	6943	135,232	135,232
AT- tech prep	84.043A	6950	6,289	6,289
Innovative Programs	84.298	7920	94,443	7,181
Educational Technology	84.318X	7870	42,203	17,663
ATE -Tech - Perkins -CTE leadership	84.048A	6943	10,250	10,250
Title IA LEA grants	84.010A	7801	1,566,391	827,627
Adult education - prison	84.002A	7581	11,984	8,190
Adult education - basic	84.002A	7580	32,500	32,500
Title I- Neglected	84.013A	7840	9,625	9,625
IDEA-B handicapped	84.027A	7524	2,334,802	2,334,802
Drug free schools	84.186A	7890	81,597	53,087
IDEA-B preschool handicapped	84.173A	7522	125,408	125,408
NCLB - Language acquisition	84.365A	7880	39,102	39,102
NCLB - Title IIA	84.367	7860	733,987	355,068
Total Department of Education			<u>5,902,632</u>	<u>4,342,262</u>
United States Department of Interior passed through: Cache County				
Forest reserve	15.	9999	35,869	35,869
Total Department of Interior			<u>35,869</u>	<u>35,869</u>
United States Department of Agriculture passed through: Utah State Office of Education				
Summer special foods	10.559	8077	43,925	43,925
School breakfast	10.553	8001	120,163	120,163
Free and reduced lunch	10.555	8001	1,268,007	1,268,007
Food commodities	10.550	8001	224,038	224,038
After school lunch	10.558	8001	10,476	10,476
Total Department of Agriculture			<u>1,666,609</u>	<u>1,666,609</u>
Corporation for National and Community Service passed through: Utah AmeriCorps	94.006	7602	22,338	22,338
United States Department of Health and Human Services passed through: Utah State Office				
Medical Assistance, Title XIX	93.778	1205	135,542	135,542
United States National Endowment for the Humanities passed through: Utah State Department of Community and Culture				
Library Services and Technology	45.310	7702	7,092	7,092
Total Federal Financial Assistance			<u>\$ 7,770,082</u>	<u>\$ 6,209,712</u>

CACHE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Note 1: Purpose of the schedule

The Schedule of Expenditures of the Federal Awards is a supplementary schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Note 2: Significant Accounting Policies

Basis of Accounting

The information in the schedule is presented in accordance with OMB circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes the levels of expenditures or expenses and other criteria to be used in defining major federal financial assistance. The federal awards tested as major programs were those with a CFDA number of 84.027A, 84.010A, 84.367 and 10.555.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Cache County Board of Education
2063 North 1200 East
North Logan, UT 84341

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cache County School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 5, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Cache County School District in a separate letter dated October 5, 2006.

This report is intended solely for the information of the audit committee, Board of Education, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alfred Jackson

October 5, 2006



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Cache County School District
2063 North 1200 East
North Logan, Utah 84341

Compliance

We have audited the compliance of Cache County School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Cache County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2006-01.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alured Jackson

October 5, 2006

**CACHE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. Type of report issued	Unqualified
2. Reportable conditions in internal control	None reported
3. Material non-compliance discovered	None reported
4. Reportable conditions in internal control over major programs	None reported
5. Compliance report issued	Unqualified
6. Reportable findings under A-133	2006-01
7. Federal programs tested as major programs	84.367
	10.555
	84.027A
	84.010A
8. Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
9. Auditee qualification high or low risk	Low

B. FINDINGS- FINANCIAL STATEMENTS AUDIT

None reported

C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2006-01: Employees compensated solely from a single cost objective for the major programs 84.010A, 84.027A, and 84.367 are required to have biennial certifications of activities performed. Biennial certifications had been done in the past but were not updated for 2006.

Recommendation: Update certifications every six months.

Management response: This finding was noted also in the June 30, 2005 audit. At that time a procedure was put into place to track the employees whose compensation comes solely from a single cost objective for the major programs 84.010A, 84.027A, and 84.367 and require the biennial certifications to be completed. During the fiscal year under audit, the employee placed in charge of tracking these individuals retired from the district and failed to make the procedure a part of the training for her replacement. The proper training has now been provided and the procedure will be followed from this time forward.

CACHE COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Finding
(Client Prepared Schedule)
June 30, 2006

No findings were noted in the prior year.

SUPPLEMENTAL SECTION



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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Cache County Board of Education
2063 North 1200 East
North Logan, UT 84341

We have audited the financial statements of the Cache County School District (the District), as of and for the year ended June 30, 2006, and have issued our report thereon dated October 5, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit guide for the year ended June 30, 2005. The District received the following state assistance programs for the State of Utah:

Minimum School Program (State Office of Education)
Drivers Education (State Office of Education)
Capital Outlay Foundation Program (State Office of Education)

The District also received the following nonmajor state grants which are not required to be audited for specific compliance requirement. (However, these programs were subjected to testwork as part of the audit of the District's financial statements.)

Math/Science Beginning Teacher Recruitment (State Office of Education)
Adult Education (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Purchasing Requirements
Truth in Taxation and
Property Tax Limitations

Cash Management
Budgetary Compliance
Other General Issues

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Cache County School District, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.

Peterson Alured Jackson

October 5, 2006



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October 5, 2006

Board of Education
Cache County School District
North Logan, Utah

Dear Superintendent Norton:

In planning and performing our audit of the financial statements of Cache County School District (the District), for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to internal control structure (other than "reportable conditions") and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the District's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDING

Finding: *Treasurer fidelity bond.* The District is required to provide fidelity bond insurance for the treasurer based upon State of Utah guidelines. The bond in place at the end of the year was approximately \$84,000 less than what was required.

Recommendation: Increase the amount of the fidelity bond to comply with state requirements.

Management Response: Budgeted revenue increased significantly due mainly to the issuance of \$27,000,000 of general obligation bonds during this past year. To comply with the fidelity bond requirement additional bonding will be purchased sufficient to bring the District into compliance with state guidelines.

Status: The fidelity bond was increased to meet with state compliance.

CURRENT YEAR FINDING

Finding: *Single Audit Compliance Requirements.* Employees compensated solely from a single cost objective for the major programs 84.367, 84.010A, and 84.027A are required to have biennial certifications of activities performed. Certificates were not updated for 2006.

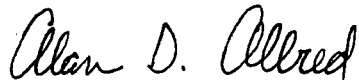
Recommendation: Update certificates every six months.

Management Response: This finding was noted also in the June 30, 2005 audit. At that time a procedure was put into place to track the employees whose compensation comes solely from a single cost objective for the major programs 84.010A, 84.027A, and 84.367 and require the biennial certifications to be completed. During the fiscal year under audit, the employee placed in charge of tracking these individuals retired from the district and failed to make the procedure a part of the training for her replacement. The proper training has now been provided and the procedure will be followed from this time forward.

In conclusion, we wish to recognize Dale Hansen, the District's business office staff, and the audit committee for the excellent services provided to Cache County School District. They have been most cooperative in assisting us in the performance of the audit for the 2006 fiscal year. The performance of the Cache County School District annual fiscal year audit has been an enjoyable experience for us and we would like to thank the District for the opportunity to serve as independent auditors.

Very truly yours,

PETERSON ALLRED JACKSON



Alan D. Allred, CPA